

Message Text

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ORIGIN STR-05

INFO OCT-01 EA-10 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-07
INT-05 L-03 LAB-04 NSAE-00 PA-01 CTME-00 AID-05
SS-15 ITC-01 TRSE-00 PRS-01 SP-02 SOE-02 OMB-01
DOE-11 NSCE-00 SSO-00 USIE-00 INRE-00 AF-10
ARA-10 EUR-12 NEA-10 /142 R

DRAFTED BY STR:MPOMERANZ
APPROVED BY STR:AWOLFF/WKELLY (TPSC)
COMMERCE:WCAVITT/BMILLER
TREASURY:WBARREDA
LABOR:GPRATT/EHABBERTON
STR:MBSMITH
STATE:TO'HERRON

-----026341 290028Z /70

O P 282359Z DEC 77
FM SECSTATE WASHDC
TO AMEMBASSY TOKYO IMMEDIATE
INFO USMISSION GENEVA PRIORITY

C O N F I D E N T I A L STATE 309050

E.O. 11652: N/A

TAGS: ETRD, GATT, EA

SUBJECT: THROWN SILK

REFERENCES: TOKYO 19643 AND TOKYO 19861

1. WE ARE INCREASINGLY CONCERNED ABOUT NEWS BEING RECEIVED
FROM OUR THROWN SILK EXPORTERS. NO ONE SEEMS TO HAVE HARD
INFORMATION AS TO HOW ALLOCATIONS FOR IMPORTS FOR THIS QUAR-
TER ARE BEING MADE. ONLY TWO ASPECTS SEEM TO BE RELATIVELY
CLEAR. FIRST, EXISTING OPPORTUNITIES FOR SALES ARE BEING
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CONDITIONED ON BASIS THAT SHIPMENTS MUST CLEAR JAPANESE
CUSTOMS BY MARCH 31. SECONDLY, NON-TRADITIONAL SUPPLIERS
ARE BEING SUBJECTED TO UNUSUAL PRICE COMPETITION FOR THE
LIMITED LICENSES AUTHORIZED WHILE CONSIDERABLY HIGHER SET
PRICES (ALLEGEDLY AS MUCH AS 30-50 PERCENT HIGHER) ARE BEING
PAID FOR IMPORTS FROM TRADITIONAL SUPPLIERS.

2. U.S. SUPPLIERS, AND PRESUMABLY EUROPEAN SUPPLIERS AS WELL, COULD NOT BE ASSURED OF MEETING THE MARCH 31 DEADLINE IF PRODUCT DID NOT LEAVE THE THROWING MILL BY THE FIRST DAYS OF FEBRUARY. CONSEQUENTLY, U.S. EXPORTERS MUST CONSIDER ANY POSSIBLE SALE ON BASIS OF MANUFACTURING DONE IN JANUARY. THIS MEANS THAT PRODUCTION SCHEDULES FOR JANUARY MUST BE SCRAPPED IN WHOLE OR IN PART TO TAKE ACCOUNT OF SURGE OF

JAPANESE BUSINESS THAT MAY BE THERE. OUR EXPORTERS MAINTAIN THAT THEIR JAPANESE CUSTOMERS WOULD THEMSELVES PREFER NOT TO HAVE SALES BUNCHED UP IN THIS FASHION. IT APPARENTLY MAKES NO BUSINESS SENSE AT EITHER END.

3. IF THE ABOVE INFORMATION IS IN FACT BORNE OUT, ANY SETTLEMENT OF THE PROBLEM WITH THE JAPANESE MUST ASSURE REASONABLE TIME WITHIN WHICH TO IMPLEMENT SALES AND THAT THE SYSTEM WILL NOT BE USED TO BRING ABOUT ARTIFICIALLY LOW PRICES. WE DO NOT SEE THIS BEING ACHIEVED UNDER THE PRESENT SYSTEM WITHOUT A SPECIFIC ALLOCATION OF LICENSES FOR U.S.-ORIGIN SUPPLIES.

4. AS EMBASSY KNOWS THERE WILL BE LITTLE PROFIT FOR THE U.S. IN RETALIATION IN THIS CASE. OBJECT IS TO OBTAIN RELIEF FOR U.S. EXPORTERS OF THROWN SILK. NONETHELESS, AFTER 18 MONTHS OF WAITING ON THE JAPANESE, WE ARE NOT ABOUT TO INFORM GATT PANEL ON JANUARY 1 THAT CONCILIATION

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HAS BEEN EFFECTED, WHEN, IN FACT, ALL WE HAVE IS SAKAI'S PERSONAL ASSURANCES OF A POSSIBLE SOLUTION. NOR ARE WE DISPOSED TO SLOW DOWN GATT SCHEDULE FOR ANYTHING LESS THAN THE ASSURANCES OF A LEVEL OF THROWN SILK IMPORTS THAT WE CAN LIVE WITH.

5. THIS HAVING BEEN SAID, WE PROPOSE TO THE GOJ THE FOLLOWING: (A) SO LONG AS JAPAN RESTRAINS IMPORTS OF THROWN SILK, JAPAN WILL ASSURE THAT 1700 BALES WILL BE LICENSED SPECIFICALLY FROM U.S. PRODUCERS ANNUALLY. (WE BELIEVE THAT WE ARE ENTITLED TO 2400 BALES ON BASIS OF 1975/76 PERFORMANCE BUT ARE WILLING TO FURTHER REDUCE OUR CLAIM FROM 1800 BALES IN EFFORT TO ACCOMMODATE JAPANESE.); (B) THIS ASSURANCE MUST BE GIVEN TO US PRIOR TO END OF YEAR AT LEAST IN FORM OF ASSURANCE FROM MITI THAT IT AGREES TO SUCH SETTLEMENT AND IS CONFIDENT THAT IT WILL BE LATER APPROVED BY GOJ; (C) IF QUARTERLY SYSTEM IS MAINTAINED WE WILL BE ASSURED THAT LICENSES WILL BE ISSUED WITH GREATER TIME FLEXIBILITY THAN NOW GRANTED FOR SHIPMENT DATES; (D) WE ARE PREPARED TO ASSURE SAKAI AND GOJ THAT WE WOULD INFORM PANEL TO DELAY ITS REPORT ON BASIS THAT BOTH PARTIES BELIEVE A

SETTLEMENT IS IN THE OFFING AND THAT, AFTER CONFIRMATION BY GOJ IN EARLY JANUARY, WE WOULD INFORM THE PANEL, AS SUGGESTED BY SAKAI, THAT "THE TWO SIDES HAD REACHED A MUTUALLY SATISFACTORY SOLUTION TO DIFFERENCES OVER APPLICATION OF THE PRIOR APPROVAL SYSTEM OF JAPAN"; (E) WE WOULD BE PREPARED TO MAKE THIS PUBLIC (WITHOUT ANY MENTION OF NUMBERS) ON THE OCCASSION OF THE POSSIBLE STRAUSS VISIT IN MID-JANUARY.

6. TO ACCOMMODATE SAKAI, WE WILL HOLD OFF ANY INSTRUCTIONS TO OUR MISSION IN GENEVA UNTIL CLOSE OF BUSINESS ON JANUARY 1. VANCE
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Message Attributes

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Copy: SINGLE
Sent Date: 28-Dec-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
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Disposition History: n/a
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